

# Fiscal Note

*Fiscal Services Division*



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**HF 169** – Urban Food Production Property Tax Exemption (LSB1339YH)  
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## **Description**

**House File 169** creates a new property tax exemption for property located within a city and certified by the city council as an urban farm. To be eligible for certification as an urban farm, the property must be owned by, or leased to, a nonprofit entity, and the property must be used to produce food for distribution to a qualified food bank or emergency feeding organization located within the city. The Bill does not specify that the exempt land must be classified as agricultural, and it does not specify any minimum or maximum amount of land area required for a property to be certified as an urban farm.

## **Assumptions**

For assessment year 2015 (FY 2017), urban agricultural land in Iowa totaled 486,500 acres, and the property tax paid on urban agricultural land totaled \$12.5 million. This produces an average property tax liability of \$25.75 per acre of urban agricultural land. The average property tax liability per acre of urban property not classified as agricultural land is not calculated for this estimate, but is considerably higher than the average tax rate for urban agricultural land.

## **Fiscal Impact**

Property tax exemptions reduce or eliminate the property tax owed on qualified properties. The tax reduction benefitting owners results in a decrease in property tax revenue for local governments and, by action of the State school aid formula, also increases the State General Fund appropriation for school aid by \$5.40 per \$1,000 of exempt property value.

The number of acres certified as urban farm acres is not known and is not projected. In order to reach a level of fiscal significance (\$50,000 in government revenue and/or expenses in a year), the amount of city agricultural land qualifying for the exemption would need to total at least 2,000 acres. If cities certify land that is not classified as agricultural, the amount of land necessary to reach fiscal significance is considerably lower.

## **Sources**

Department of Management  
Department of Revenue  
Legislative Services Agency analysis

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/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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